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Part II

Department of the Interior

Bureau of Land Management

Outer Continental Shelf; Oil and Gas Lease Sale No. 56, Offshore the South Atlantic States

UNITED STATES
DEPARTMENT OF THE INTERIOR
Bureau of Land Management

Notice of Sale
Outer Continental Shelf (OCS)
Oil and Gas Lease Sale No. 56, Offshore the South Atlantic States

1. Authority. This notice is published pursuant to the Outer Continental Shelf Lands Act of 1953 (43 U.S.C. 1331-1343), as amended (92 Stat. 629), and the regulations issued thereunder (43 CFR Part 3300).

2. Filing of Bids. Sealed bids will be received by the Manager, New Orleans Outer Continental Shelf (OCS) Office, Bureau of Land Management, Hale Boggs Federal Building, 500 Camp Street, Suite 841, New Orleans, Louisiana 70130. Bids may be delivered, either by mail or in person, to the above address until 4:15 p.m., c.s.t., August 3, 1981, or by personal delivery to the Louisiana Superdome, Gate "C," Hyatt Ramp, Level 200, Rooms 4 and 5, 1500 Poydras Street, New Orleans, Louisiana, between the hours of 8:30 a.m., c.s.t., and 9:30 a.m., c.s.t., August 4, 1981. Bids received by the Manager later than the times and dates specified above will be returned unopened to the bidders. Bids may not be modified or withdrawn unless written modification or withdrawal is received by the Manager prior to 9:30 a.m., c.s.t., August 4, 1981. All bids must be submitted and will be considered in accordance with applicable regulations, including 43 CFR Part 3300. The list of restricted joint bidders which applies to this sale was published in 46 FR 22270, April 16, 1981.

3. Method of Bidding. A separate bid in a sealed envelope, labeled "Sealed Bid for Oil and Gas Lease (insert number of tract), not to be opened until 10:00 a.m., c.s.t., August 4, 1981," must be submitted for each tract. A suggested form appears in 43 CFR Part 3300, Appendix A, for bonus bid tracts. Bidders must submit with each bid one-fifth of the cash bonus in cash or by cashier's check, bank draft, or certified check payable to the order of the Bureau of Land Management. Bidders are advised that tract numbers are assigned solely for administrative purposes and are not the same as block numbers found on official protraction diagrams. All bids received shall be deemed submitted for a numbered tract. No bid for less than a full tract as described in paragraph 12 will be considered. Bidders submitting joint bids must state on the bid form the proportionate interest of each participating bidder, in percent to a maximum of five decimal places, as well as submit a sworn statement that the bidder is not disqualified under 43 CFR Subpart 3316. The suggested form for this statement to be used in joint bids appears in 43 CFR Part 3300, Appendix B. Other documents may be required of bidders under 43 CFR 3316.4. Bidders are warned against violation of 18 U.S.C. 1860, prohibiting unlawful combination or intimidation of bidders.

4. Bidding Systems. The proposed notice of sale for sale 56 included tracts to be offered under net profit share bidding with a fixed cash bonus. Meanwhile the Supreme Court granted certiorari to review the decision in the U.S. Court of Appeals for the District of Columbia Circuit in Energy Action Educational Foundation v. Andrus, Civil No. 79-1633. On June 12, 1981, the Court of Appeals ruled that experimentation with the net profit share bid system is not required prior to a decision by the Supreme Court. As a result no tracts will be offered under net profit share bidding with a fixed cash bonus for sale 56. All leases awarded for this sale will provide for a yearly rental payment of $8 per hectare or fraction thereof. The following systems will be utilized.

(a) Bonus Bidding with a Fixed Net Profit Share. Bids on tracts 56-131 through 56-161 and on tracts 56-175 through 56-188 are to be submitted on a cash bonus basis with a fixed net profit share rate of 45 percent and a 0.50

capital recovery factor. The net profit share payment shall be calculated according to Department of Energy regulations in 10 CFR 390 (45 FR 36784, May 30, 1980). Bids on tracts 56-80 through 56-130 are to be submitted on a cash bonus basis with a fixed net profit share rate of 30 percent and a 1.50 capital recovery factor. The net profit share payment shall be calculated according to the Department of Energy regulations in 10 CFR 390 (45 FR 36784, May 30, 1980).

(b) Bonus Bidding with a 16-2/3 Percent Royalty. Bids on tracts 56-40 through 56-45 and 56-189 through 56-286 must be submitted on a cash bonus basis with a fixed royalty of 16-2/3 percent. All leases awarded under this system will provide for a minimum annual royalty payment of $8 per hectare or fraction thereof.

(c) Bonus Bidding with a 12-1/2 Percent Royalty. Bids on the remaining tracts to be offered at this sale must be submitted on a cash bonus basis with a fixed royalty of 12-1/2 percent. All leases awarded under this system will provide for a minimum annual royalty payment of $8 per hectare or fraction thereof.

5. Equal Opportunity. Each bidder must have submitted by 9:30 a.m., c.s.t., August 4, 1981, the certification required by 41 CFR 60-1.7(b) and Executive Order No. 11246 of September 24, 1965, as amended by Executive Order No. 11375 of October 13, 1967, on the Compliance Report Certification Form, Form 1140-8 (November 1973), and the Affirmative Action Representation Form, Form 1140-7 (December 1971). See section 14, below, "Information to Lessees."

6. Bid Opening. Bids will be opened on August 4, 1981, beginning at 10:00 a.m., c.s.t., at the second address stated in paragraph 2. The opening of the bids is for the sole purpose of publicly announcing and recording bids received and no bids will be accepted or rejected at that time. If the Department is prohibited for any reason from opening any bid before midnight, August 4, 1981, that bid will be returned unopened to the bidder, as soon thereafter as possible.

7. Deposit of Payment. Any cash, cashier's checks, certified checks, or bank drafts submitted with a bid may be deposited in a suspense account in the Treasury during the period the bids are being considered. Such a deposit does not constitute and shall not be construed as acceptance of any bid on behalf of the United States.

8. Withdrawal of Tracts. The United States reserves the right to withdraw any tract from this sale prior to issuance of a written acceptance of a bid for the tract.

9. Acceptance or Rejection of Bids. The United States reserves the right to reject any and all bids for any tract. In any case, no bid for any tract will be accepted and no lease for any tract will be awarded to any bidder unless:

(a) The bidder has complied with all requirements of this notice and applicable regulations;

(b) The bid is the highest valid bid; and

(c) The amount of the bid has been determined to be adequate by the Secretary of the Interior.

No bid will be considered for acceptance unless it provides for a cash bonus in the amount of $62 or more per hectare or fraction thereof.

10. Successful Bidders. Each person who has submitted a bid accepted by the Secretary of the Interior will be required to execute copies of the lease specified below, pay the balance of the cash bonus together with the first year's annual rental, and satisfy the bonding requirements of 43 CFR Subpart 3318 within the time provided in 43 CFR 3316.5.

11. Official Protraction Diagrams. Tracts offered for lease may be located on the following official protraction diagrams which are available from the Manager, New Orleans Outer Continental Shelf Office at the address stated in paragraph 2.

Outer Continental Shelf Official Protraction Diagrams:

NJ 18-11 Currituck Sound
NI 18-2 Manteo
NI 18-5
NI 18-4 Beaufort
NI 18-7 Cape Fear
NI 17-12 James Island
NH 17-6
NH 17-2 Brunswick
NH 17-5 Jacksonville

These sell for $2 each.

12. Tract Descriptions. The tracts offered for bid are as follows:

Note: There may be gaps in the numbers of the tracts listed. Some of the blocks identified in the final environmental impact statement may not be included in this notice.

Tract List

OCS Sale No. 56

OCS OFFICIAL PROTRACTION DIAGRAM, CURRITUCK SOUND NJ 18-11
(Approved October 31, 1974; Revised December 6, 1976;
Revised June 22, 1977; Revised April 25, 1978)

Tract	Block	Description	Hectares
56-1	777	All	2304
56-2	821	All	2304
56-3	865	All	2304
56-4	909	All	2304
56-5	953	All	2304

OCS OFFICIAL PROTRACTION DIAGRAM, MANTEO NI 18-2
(Approved October 31, 1974)

Tract	Block	Description	Hectares
56-6	246	All	2304
56-7	247	All	2304
56-8	290	All	2304
56-9	291	All	2304
56-10	334	All	2304
56-11	335	All	2304
56-12	378	All	2304
56-13	379	All	2304
56-14	422	All	2304
56-15	423	All	2304
56-16	466	All	2304
56-17	467	All	2304
56-18	510	All	2304
56-19	511	All	2304
56-20	553	All	2304
56-21	554	All	2304
56-22	555	All	2304
56-23	597	All	2304
56-24	598	All	2304
56-25	640	All	2304
56-26	641	All	2304
56-27	642	All	2304

OCS OFFICIAL PROTRACTION DIAGRAM, NI 18-5
(Approved August 1, 1975)

Tract	Block	Description	Hectares
56-28	709	All	2304
56-29	710	All	2304
56-30	751	All	2304
56-31	752	All	2304
56-32	753	All	2304
56-33	754	All	2304
56-34	794	All	2304
56-35	795	All	2304
56-36	796	All	2304
56-37	837	All	2304
56-38	838	All	2304
56-39	839	All	2304

OCS OFFICIAL PROTRACTION DIAGRAM, BEAUFORT NI 18-4
(Approved August 1, 1975)

Tract	Block	Description	Hectares
56-40	566	All	2304
56-41	567	All	2304
56-42	610	All	2304
56-43	611	All	2304
56-44	654	All	2304
56-45	655	All	2304

OCS OFFICIAL PROTRACTION DIAGRAM, CAPE FEAR NI 18-7
(Approved June 11, 1975; Revised January 27, 1976; Revised June 3, 1976)

Tract	Block	Description	Hectares
56-46	175	All	2304
56-47	176	All	2304
56-48	219	All	2304
56-49	220	All	2304

CAPE FEAR NI 18-7 (continued)

Tract	Block	Description	Hectares
56-50	262	All	2304
56-51	263	All	2304
56-52	264	All	2304
56-53	306	All	2304
56-54	307	All	2304
56-55	308	All	2304
56-56	350	All	2304
56-57	351	All	2304
56-58	352	All	2304
56-59	393	All	2304
56-60	394	All	2304
56-61	395	All	2304
56-62	396	All	2304
56-63	437	All	2304
56-64	438	All	2304
56-65	439	All	2304
56-66	440	All	2304
56-67	481	All	2304
56-68	482	All	2304
56-69	483	All	2304
56-70	484	All	2304
56-71	524	All	2304
56-72	525	All	2304
56-73	526	All	2304
56-74	527	All	2304
56-75	528	All	2304
56-76	568	All	2304
56-77	569	All	2304
56-78	570	All	2304
56-79	571	All	2304
56-80	611	All	2304
56-81	612	All	2304
56-82	613	All	2304
56-83	614	All	2304
56-84	615	All	2304
56-85	654	All	2304
56-86	655	All	2304
56-87	656	All	2304
56-88	657	All	2304
56-89	658	All	2304
56-90	698	All	2304
56-91	699	All	2304
56-92	700	All	2304
56-93	701	All	2304
56-94	702	All	2304
56-95	741	All	2304
56-96	742	All	2304
56-97	743	All	2304
56-98	744	All	2304

CAPE FEAR NI 18-7 (continued)

Tract	Block	Description	Hectares
56-99	745	All	2304
56-100	746	All	2304
56-101	747	All	2304
56-102	785	All	2304
56-103	786	All	2304
56-104	787	All	2304
56-105	788	All	2304
56-106	789	All	2304
56-107	790	All	2304
56-108	791	All	2304
56-109	828	All	2304
56-110	829	All	2304
56-111	830	All	2304
56-112	831	All	2304
56-113	832	All	2304
56-114	834	All	2304
56-115	872	All	2304
56-116	873	All	2304
56-117	874	All	2304
56-118	875	All	2304
56-119	876	All	2304
56-120	916	All	2304
56-121	917	All	2304
56-122	918	All	2304
56-123	919	All	2304
56-124	960	All	2304
56-125	961	All	2304
56-126	962	All	2304
56-127	963	All	2304
56-128	1004	All	2304
56-129	1005	All	2304
56-130	1006	All	2304

OCS OFFICIAL PROTRACTION DIAGRAM, JAMES ISLAND NI 17-12
(Approved June 11, 1975)

Tract	Block	Description	Hectares
56-131	242	All	2304
56-132	243	All	2304
56-133	244	All	2304
56-134	245	All	2304
56-135	246	All	2304
56-136	247	All	2304
56-137	285	All	2304
56-138	286	All	2304
56-139	287	All	2304

JAMES ISLAND NI 17-12 (Continued)

Tract	Block	Description	Hectares
56-140	288	All	2304
56-141	289	All	2304
56-142	290	All	2304
56-143	291	All	2304
56-144	329	All	2304
56-145	330	All	2304
56-146	331	All	2304
56-147	334	All	2304
56-148	335	All	2304
56-149	373	All	2304
56-150	374	All	2304
56-151	800	All	2304
56-152	841	All	2304
56-153	842	All	2304
56-154	843	All	2304
56-155	844	All	2304
56-156	885	All	2304
56-157	886	All	2304
56-158	887	All	2304
56-159	888	All	2304
56-160	929	All	2304
56-161	930	All	2304

OCS OFFICIAL PROTRACTION DIAGRAM, NH 17-6
(Approved June 11, 1975)

Tract	Block	Description	Hectares
56-162	181	All	2304
56-163	182	All	2304
56-164	224	All	2304
56-165	225	All	2304
56-166	226	All	2304
56-167	268	All	2304
56-168	269	All	2304
56-169	312	All	2304
56-170	313	All	2304
56-171	355	All	2304
56-172	356	All	2304
56-173	357	All	2304

OCS OFFICIAL PROTRACTION DIAGRAM, BRUNSWICK NH 17-2
(Approved April 29, 1975; Revised September 1, 1978)

Tract	Block	Description	Hectares
56-175	256	All	2304
56-176	257	All	2304
56-177	298	All	2304
56-178	299	All	2304
56-179	300	All	2304
56-180	301	All	2304
56-181	341	All	2304
56-182	342	All	2304
56-183	343	All	2304
56-184	344	All	2304
56-185	345	All	2304
56-186	386	All	2304
56-187	387	All	2304
56-188	388	All	2304
56-189	695	All	2304
56-190	696	All	2304
56-191	697	All	2304
56-192	738	All	2304
56-193	739	All	2304
56-194	740	All	2304
56-195	741	All	2304
56-196	781	All	2304
56-197	782	All	2304
56-198	783	All	2304
56-199	825	All	2304
56-200	826	All	2304
56-201	827	All	2304
56-202	910	All	2304
56-203	911	All	2304
56-204	914	All	2304
56-205	916	All	2304
56-206	917	All	2304
56-207	952	All	2304
56-208	953	All	2304
56-209	954	All	2304
56-210	955	All	2304
56-211	960	All	2304
56-212	961	All	2304
56-213	962	All	2304

BRUNSWICK NH 17-2 (continued)

Tract	Block	Description	Hectares
56-214	993	All	2304
56-215	994	All	2304
56-216	995	All	2304
56-217	996	All	2304
56-218	997	All	2304
56-219	998	All	2304
56-220	999	All	2304
56-221	1000	All	2304
56-222	1002	All	2304
56-223	1006	All	2304

OCS OFFICIAL PROTRACTION DIAGRAM, JACKSONVILLE NH 17-5
(Approved April 29, 1975)

Tract	Block	Description	Hectares
56-224	24	All	2304
56-225	27	All	2304
56-226	28	All	2304
56-227	29	All	2304
56-228	30	All	2304
56-229	31	All	2304
56-230	32	All	2304
56-231	33	All	2304
56-232	37	All	2304
56-233	69	All	2304
56-234	70	All	2304
56-235	71	All	2304
56-236	72	All	2304
56-237	73	All	2304
56-238	74	All	2304
56-239	79	All	2304
56-240	80	All	2304
56-241	113	All	2304
56-242	114	All	2304
56-243	115	All	2304
56-244	116	All	2304
56-245	117	All	2304
56-246	124	All	2304
56-247	158	All	2304
56-248	159	All	2304
56-249	160	All	2304
56-250	161	All	2304
56-251	162	All	2304

JACKSONVILLE NH 17-5 (continued)

Tract	Block	Description	Hectares
56-252	203	All	2304
56-253	204	All	2304
56-254	205	All	2304
56-255	206	All	2304
56-256	207	All	2304
56-257	247	All	2304
56-258	248	All	2304
56-259	249	All	2304
56-260	250	All	2304
56-261	251	All	2304
56-262	253	All	2304
56-263	292	All	2304
56-264	293	All	2304
56-265	294	All	2304
56-266	295	All	2304
56-267	296	All	2304
56-268	340	All	2304
56-269	382	All	2304
56-270	426	All	2304
56-271	431	All	2304
56-272	432	All	2304
56-273	465	All	2304
56-274	470	All	2304
56-275	475	All	2304
56-276	476	All	2304
56-277	509	All	2304
56-278	513	All	2304
56-279	514	All	2304
56-280	515	All	2304
56-281	516	All	2304
56-282	561	All	2304
56-283	601	All	2304
56-284	602	All	2304
56-285	645	All	2304
56-286	646	All	2304

13. Lease Terms and Stipulations. Leases resulting from this sale for tracts 56-1 through 56-39, 56-46 through 56-130, and 56-162 through 56-173, will be for an initial term of 10 years. All other leases issued as a result of this sale will be for an initial term of 5 years. Leases issued as a result of this sale will be on Form 3300-1 (September 1978), available from the Manager, New Orleans Outer Continental Shelf Office, at the address stated in paragraph 2.

(a) For leases resulting from this sale for tracts offered on a cash bonus basis with a fixed net profit share, listed in paragraph 4 (a), Form 3300-1 will be amended as follows:

Sec. 4. Rentals. The phrase "which commences prior to a discovery in paying quantities of oil or gas on the leased area" is hereby deleted and replaced by "which commences prior to the date the first net profit share payment becomes due".

Sec. 5. Minimum Royalty. Hereby deleted.

Sec. 6. Royalty on Production. Hereby replaced by Net Profit Share. The lessee agrees to pay a net profit share rate of _____ percent with a _____ capital recovery factor, calculated pursuant to 10 CFR 390.

(b) Except as otherwise noted, the following stipulations will be included in each lease resulting from this sale. In the following stipulations the term DCM refers to the Deputy Conservation Manager for Field Operations, Eastern Region, U. S. Geological Survey and the term Manager refers to the Manager of the New Orleans OCS Office of the Bureau of Land Management.

Stipulation No. 1

If the DCM has reason to believe that a site, structure or object of historical or archaeological significance (hereinafter referred to as "cultural resource"), may exist in the lease area and gives the lessee written notice that the lessor is invoking the provisions of this stipulation, the lessee shall upon receipt of such notice comply with the following requirements.

Prior to any drilling activity or the construction or placement of any structure for exploration or development on the lease, including, but not limited to, well drilling and pipeline and platform placement (hereinafter in this stipulation referred to as "operation") the lessee shall conduct remote sensing surveys to determine the potential existence of any cultural resource that may be affected by such operations. All data produced by such remote sensing surveys as well as other pertinent natural and cultural environmental data shall be examined by a qualified marine survey archaeologist to determine if indications are present suggesting the existence of a cultural resource that may be adversely affected by any lease operation. A report of this survey and assessment prepared by the marine survey archaeologist shall be submitted by the lessee to the DCM and to the Manager for review.

If such cultural resource indicators are present the lessee shall: (1) locate the site of such operation so as not to affect adversely the identified location; or (2) establish, to the satisfaction of the DCM, on the basis of further archaeological investigation conducted by a qualified marine survey archaeologist or underwater archaeologist using such survey equipment and techniques as deemed necessary by the DCM either that such operation will not adversely affect the location identified or that the potential cultural resource suggested by the occurrence of the indicators does not exist.

A report of this investigation prepared by the marine survey archaeologist or underwater archaeologist shall be submitted to the DCM and the Manager for review. Should the DCM determine that the existence of a cultural resource which may be adversely affected by such operation is sufficiently established to warrant protection, the lessee shall take no action that may result in an adverse effect on such cultural resource until the DCM has given directions as to its preservation.

The lessee agrees that if any site, structure or object of historical or archaeological significance should be discovered during the conduct of any operations on the leased area, he shall report immediately such findings to the DCM and make every reasonable effort to preserve and protect the cultural resource from damage until the DCM has given directions as to its preservation.

Stipulation No. 2

Prior to any drilling activity or the construction or placement of any structure for exploration or development on a lease, including but not limited to well drilling and pipeline and platform placement, the lessee will submit to the DCM as part of his exploration and/or development plan a bathymetry map, prepared utilizing remote sensing and/or other survey techniques. This map will include interpretations for the presence of live bottom areas within a minimum of 1,820 m radius of the proposed exploration or production activity site.

For the purpose of this stipulation, live bottom areas are defined as those areas which contain biological assemblages consisting of such sessile invertebrates as sea fans, sea whips, hydroids, anemones, ascidians, sponges, bryozoans, or corals living upon and attached to naturally occurring hard or rocky formations with rough, broken, or smooth topography; or whose lithotope favors the accumulation of turtles, fishes, and other fauna.

If it is determined that the remote sensing data indicate the presence of hard or live bottom areas, the lessee will also submit to the DCM photo-documentation of the sea bottom near proposed exploratory drilling sites or proposed platform locations.

If it is determined that live bottom areas might be adversely impacted by the proposed activities, then the DCM will require the lessee to undertake any measure deemed economically, environmentally, and technically feasible to protect live bottom areas. These measures may include, but are not limited to, the following:

(a) The relocation of operations to avoid live bottom areas;
(b) The shunting of all drilling fluids and cuttings in such a manner as to avoid live bottom areas;
(c) The transportation of drilling fluids and cuttings to approved disposal sites; and
(d) The monitoring of live bottom areas to assess the adequacy of any mitigation measures taken and the impact of lessee initiated activities.

Stipulation No. 3

(To be included only in leases resulting from this sale for tracts 56-1 through 56-19, 56-21 and 56-22).

Whether or not compensation for such damage or injury might be due under a theory of strict or absolute liability or otherwise, the lessee assumes all risks of damage or injury to persons or property, which occur in, on, or above the Outer Continental Shelf, to any persons or to any property of any person or persons who are agents, employees or invitees of the lessee, its agents, independent contractors, or subcontractors doing business with the lessee in connection with any activities being performed by the lessee in, on, or above the Outer Continental Shelf if such injury or damage to such person or property occurs by reason of the activities of any agency of the U. S. Government, its contractors or subcontractors, or any of their officers, agents or employees, being conducted as a part of, or in connection with the programs and activities of the Fleet Area Control & Surveillance Facility, Virginia Beach, VA.

Notwithstanding any limitation of the lessee's liability in Sec. 14 of the lease form, the lessee assumes this risk whether such injury or damage is caused in whole or in part by any act or omission, regardless of negligence or fault, of the United States, its contractors or subcontractors, or any of their officers, agents, or employees. The lessee further agrees to indemnify and save harmless the United States against all claims for loss, damage, or injury sustained by the lessee, and to indemnify and save harmless the United States against all claims for loss, damage, or injury sustained by the agents, employees, or invitees ot the lessee, its agents, or any independent contractors or subcontractors doing business with the lessee in connection with the programs and activities of the aforementioned military installation whether the same be caused in whole or in part by the negligence or fault of the United States, its contractors, subcontractors, or any of their officers, agents, or employees and whether such claims might be sustained under a theory of strict or absolute liability or otherwise.

The lessee agrees to control his own electromagnetic emissions and those of his agents, employees, invitees, independent contractors or subcontractors emanating from individual designated defense warning areas in accordance with requirements specified by the Commander, Fleet Area Control & Surveillance Facility, Virginia Beach, VA., to the degree necessary to prevent damage to or unacceptable interference with Department of Defense flight, testing or operational activities, conducted within designated warning areas.

Necessary monitoring control, and coordination with the lessee, its agents, employees, invitees, independent contractors or subcontractors will be effected by the commander of the appropriate onshore military installation conducting operations in the particular warning area, provided, however, that control of such electromagnetic emissions shall in no instance prohibit all manner of electromagnetic communication during any period of time between a lessee, its agents, employees, invitees, independent contractors, or subcontractors and onshore facilities.

The lessee when operating or causing to be operated on its behalf boat or aircraft traffic into the individual designated warning areas shall enter into an agreement with the Commander, Fleet Area Control and Surveillance Facility, Virginia Beach, VA., on utilizing an individual designated warning area prior to commencing such traffic. Such agreement will provide for positive control of boats and aircraft operating in the warning areas at all times.

Stipulation No. 4

(To be included only in leases resulting from this sale for tracts 56-28 through 56-130).

Whether or not compensation for such damage or injury might be due under a theory of strict or absolute liability or otherwise, the lessee assumes all risks of damage or injury to persons or property, which occur in, on, or above the Outer Continental Shelf, to any persons or to any property of any person or persons who are agents, employees or invitees of the lessee, its agents, independent contractors, or subcontractors doing business with the lessee in connection with any activities being performed by the lessee in, on, or above the Outer Continental Shelf if such injury or damage to such person or property occurs by reason of the activities of any agency of the U. S. Government, its contractors or subcontractors, or any of their officers, agents or employees, being conducted as a part of, or in connection with the programs and activities of the Marine Corps Air Station, Cherry Point, N.C.

Notwithstanding any limitation of the lessee's liability in Sec. 14 of the lease form, the lessee assumes this risk whether such injury or damage is caused in whole or in part by any act or omission, regardless of negligence or fault, of the United States, its contractors or subcontractors, or any of their officers, agents, or employees. The lessee further agrees to indemnify and save harmless the United States against all claims for loss, damage, or injury sustained by the lessee, and to indemnify and save harmless the United States against all claims for loss, damage, or injury sustained by the agents, employees, or invitees of the lessee, its agents, or any independent contractors or subcontractors doing business with the lessee in connection with the programs and activities of the aforementioned military installation whether the same be caused in whole or in part by the negligence or fault of the United States, its contractors, subcontractors, or any of their officers, agents, or employees and whether such claims might be sustained under a theory of strict or absolute liability or otherwise.

The lessee agrees to control his own electromagnetic emissions and those of his agents, employees, invitees, independent contractors or subcontractors emanating from individual designated defense warning areas in accordance with requirements specified by the Commanding General, Marine Corps Air Station, Cherry Point, N.C., to the degree necessary to prevent damage to, or unacceptable interference with Department of Defense flight, testing or operational activities, conducted within designated warning areas.

Necessary monitoring control, and coordination with the lessee, its agents, employees, invitees, independent contractors or subcontractors, will be effected by the commander of the appropriate onshore military installation conducting operations in the particular warning area, provided, however, that control of such electromagnetic emissions shall in no instance prohibit all manner of electromagnetic communication during any period of time between a lessee, its agents, employees, invitees, independent contractors or subcontractors and onshore facilities.

The lessee when operating or causing to be operated on its behalf boat or aircraft traffic into the individual designated warning areas shall enter into an agreement with the Commanding General, Marine Corps Air Station, Cherry Point, N.C., on utilizing an individual designated warning area prior to commencing such traffic. Such agreement will provide for positive control of boats and aircraft operating in the warning areas at all times.

Stipulation No. 5

(To be included only in leases resulting from this sale for tracts 56-131 through 56-161).

Whether or not compensation for such damage or injury might be due under a theory of strict or absolute liability or otherwise, the lessee assumes all risks of damage or injury to persons or property, which occur in, on, or above the Outer Continental Shelf, to any persons or to any property of any person or persons who are agents, employees or invitees of the lessee, its agents, independent contractors, or subcontractors doing business with the lessee in connection with any activities being performed by the lessee in, on, or above the Outer Continental Shelf if such injury or damage to such person or property occurs by reason of the activities of any agency of the U. S. Government, its contractors or subcontractors, or any of their officers, agents or employees, being conducted as a part of, or in connection with the programs and activities of the Charleston Operating Area Coordinator, Charleston, S.C.

Notwithstanding any limitation of the lessee's liability in Sec. 14 of the lease form, the lessee assumes this risk whether such injury or damage is caused in whole or in part by any act or omission, regardless of negligence or fault, of the United States, its contractors or subcontractors, or any of their officers, agents, or employees. The lessee further agrees to indemnify and save harmless the United States against all claims for loss, damage, or injury sustained by the lessee, and to indemnify and save harmless the United States against all claims for loss, damage, or injury sustained by the agents, employees, or invitees of the lessee, its agents, or any independent contractors or subcontractors doing business with the lessee in connection with the programs and activities of the aforementioned military installation whether the same be caused in whole or in part by the negligence or fault of the United States, its contractors, subcontractors, or any of their officers, agents, or employees and whether such claims might be sustained under a theory of strict or absolute liability or otherwise.

The lessee agrees to control his own electromagnetic emissions and those of his agents, employees, invitees, independent contractors or subcontractors emanating from individual designated defense warning areas in accordance with requirements specified by the Charleston Operating Area Coordinator, Charleston, S.C., to the degree necessary to prevent damage to, or unacceptable interference with, Department of Defense flight, testing or operational activities, conducted within designated warning areas.

Necessary monitoring control, and coordination with the lessee, its agents, employees, invitees, independent contractors or subcontractors, will be effected by the commander of the appropriate onshore military installation conducting operations in the particular warning area, provided, however, that control of such electromagnetic emissions shall in no instance prohibit all manner of electromagnetic communication during any period of time between a lessee, its agents, employees, invitees, independent contractors or subcontractors and onshore facilities.

The lessee when operating or causing to be operated on its behalf boat or aircraft traffic into the individual designated warning areas shall enter into an agreement with the Charleston Operating Area Coordinator, Charleston, S.C., on utilizing an individual designated warning area prior to commencing such traffic. Such agreement will provide for positive control of boats and aircraft operating in the warning areas at all times.

Stipulation No. 6

(To be included only in leases resulting from this sale for tracts 56-162 through 56-286).

Whether or not compensation for such damage or injury might be due under a theory of strict or absolute liability or otherwise, the lessee assumes all risks of damage or injury to persons or property, which occur in, on, or above the Outer Continental Shelf, to any persons or to any property of any person or persons who are agents, employees or invitees of the lessee, its agents, independent contractors, or subcontractors doing business with the lessee in connection with any activities being performed by the lessee in, on, or above the Outer Continental Shelf if such injury or damage to such person or property occurs by reason of the activities of any agency of the U. S. Government, its contractors or subcontractors, or any of their officers, agents or employees, being conducted as a part of, or in connection with the programs and activities of the Fleet Area Control and Surveillance Facility, Jacksonville, FL.

Notwithstanding any limitation of the lessee's liability in Sec. 14 of the lease form, the lessee assumes this risk whether such injury or damage is caused in whole or in part by any act or omission, regardless of negligence or fault, of the United States, its contractors or subcontractors, or any of their officers, agents, or employees. The lessee further agrees to indemnify and save harmless the United States against all claims for loss, damage, or injury sustained by the lessee, and to indemnify and save harmless the United States against all claims for loss, damage, or injury sustained by the agents, employees, or invitees of the lessee, its agents, or any independent contractors or subcontractors doing business with the lessee in connection with the programs and activities of the aforementioned military installation whether the same be caused in whole or in part by the negligence or fault of the United States, its contractors, subcontractors, or any of their officers, agents, or employees and whether such claims might be sustained under a theory of strict or absolute liability or otherwise.

The lessee agrees to control his own electromagnetic emissions and those of his agents, employees, invitees, independent contractors or subcontractors emanating from individual designated defense warning areas in accordance with requirements specified by the Commander, Fleet Area Control and Surveillance Facility, Jacksonville, FL., to the degree necessary to prevent damage to, or unacceptable interference with Department of Defense flight, testing or operational activities, conducted within designated warning areas.

Necessary monitoring control, and coordination with the lessee, its agents, employees, invitees, independent contractors or subcontractors, will be effected by the commander of the appropriate onshore military installation conducting operations in the particular warning area, provided, however, that control of such electromagnetic emissions shall in no instance prohibit all manner of electromagnetic communication during any period of time between a lessee, its agents, employees, invitees, independent contractors or subcontractors and onshore facilities.

The lessee when operating or causing to be operated on its behalf boat or aircraft traffic into the individual designated warning areas shall enter into an agreement with the Commander, Fleet Area Control and Surveillance Facility, Jacksonville, FL., on utilizing an individual designated warning area prior to commencing such traffic. Such agreement will provide for positive control of boats and aircraft operating in the warning areas at all times.

Stipulation No. 7

(To be included only in leases resulting from this sale for tracts 56-1 through 56-7, 56-14 through 56-16, 56-18, 56-23, 56-24, 56-27, 56-117 through 56-119, 56-122 and 56-123).

Portions of this lease may be subject to mass movement of sediments related to unstable slopes with associated shallow faulting. Exploratory drilling operations, emplacement of structures (platforms) or seafloor wellheads for production or storage of oil or gas, and the emplacement of pipelines will not be allowed within the potentially unstable portions of this lease block until the lessee has demonstrated to the DCM's satisfaction that mass movement of sediments is unlikely or that exploratory drilling operations, structures (platforms), casing, wellhead and pipelines can be safely designed to protect the environment in case such mass movement occurs at the proposed location. This may necessitate that all exploration for and development of oil or gas be performed from locations outside of the area of unstable sediments either within or outside of this lease block.

If exploratory drilling operations are allowed, site-specific surveys shall be conducted to determine the potential for unstable bottom conditions. If emplacement of structures (platforms) or seafloor wellheads for production or storage of oil or gas is allowed, all such unstable areas must be mapped. The DCM may also require soil testing before exploration and production operations are allowed.

Stipulation No. 8

(To be included in any lease resulting from this sale for tracts 56-167, 56-169, 56-171, and 56-172).

The lessee shall conduct remote sensing and/or other surveys as specified by the DCM to determine the existence of any unexploded ordnance. The lessee's report to the DCM should document all indications of magnetic or side scan sonar anomalies on the sea floor.

Stipulation No. 9

Pipelines will be required: (1) if pipeline rights-of-way can be determined and obtained; (2) if laying such pipelines is technically feasible and environmentally preferable; and (3) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. The lessor's decision regarding the selected means of transportation will be made within the context of an intergovernmental planning process for assessment and management of transportation of Outer Continental Shelf oil and gas with participation of federal, state, and local government and the industry. Where feasible, all pipelines, including both flow lines and gathering lines for oil and gas, shall be buried to a depth suitable for adequate protection from water currents, sand waves, storm scouring, fisheries trawling gear, and other uses as determined on a case-by-case basis.

Following the completion of pipeline installation, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the DCM. Where the three criteria set forth in the first sentence of this stipulation are not met and surface transportation must be employed, all vessels used for carrying hydrocarbons to shore from the leased area will conform with all standards established for such vessels, pursuant to the Ports and Waterways Safety Act of 1972 (46 U.S.C. 391a).

Stipulation No. 10

(To be included only in the leases resulting from this sale for the net profit share tracts listed in paragraph 4(a) of this notice).

The net profit share payment specified in section 6 of this lease may be satisfied in whole or in part by the lessor taking production in amount rather than in value. However, not more than 16-2/3 percent of the production saved, removed or sold from the lease area may be taken as a net profit share payment in amount, except as provided in Sec. 15(d); additional net profit share payments shall be calculated to include the value of such production in excess of 16-2/3 percent.

14. Information to Lessees. The Department of the Interior will seek the advice of the States of North Carolina, South Carolina, Georgia, and Florida, and other Federal agencies, to identify areas of special concern which might require appropriate protective measures for live bottom areas and areas which might contain cultural resources.

If it is determined that live bottom areas might be adversely affected by the proposed activities, then the Deputy Conservation Manager for Field Operation, USGS, in consultation with the Regional Director, Fish and Wildlife Service (FWS), the Manager, BLM, the States, EPA, and other Federal agencies with jurisdiction and expertise to protect the environment, will require the lessee, pursuant to Section 5(a) of the OCS Lands Act, as amended, to undertake any measures to protect live bottom areas.

Operations on some of the tracts offered for lease may be restricted by designation of fairways, precautionary zones, or traffic separation schemes established by the Coast Guard pursuant to the Ports and Waterways Safety Act (33 U.S.C. 1221 et seq.). Corps of Engineers permits are required for construction of any artificial islands, installations, and other devices permanently or temporarily attached to the seabed located on the Outer Continental Shelf in accordance with section 4(e) of the Outer Continental Shelf Lands Act of 1953, as amended.

Bidders are advised that the Departments of the Interior and Transportation have entered into a Memorandum of Understanding dated May 6, 1976, concerning the design, installation, operation, and maintenance of offshore pipelines. Bidders should consult both Departments for regulations applicable to offshore pipelines.

Bidders are advised that in accordance with Sec. 16 of each lease offered at this sale, the lessor may require a lessee to operate under a unit, pooling, or drilling agreement, and that the lessor will give particular consideration to requiring unitization in instances where one or more reservoirs underlie two or more leases with either a different royalty rate or a net profit share payment.

Bidders are advised that the Department of Energy is authorized, under Section 302(b) and (c) of the Department of Energy Organization Act, to establish production rates for all Federal oil and gas leases.

Bidders are advised that the West Indian manatee (sea cow) is a marine mammal which is officially listed as an Endangered Species by the Department of the Interior. It is protected by the Endangered Species Act of 1973, as amended (87 Stat. 884, 16 U.S.C. 1531-1543), and the Marine Mammal Protection Act of 1972, as amended (86 Stat. 1027, 16 U.S.C. 1361-1407), and various other State and Federal laws and regulations. On October 22, 1979, (44 FR 60963) Interior promulgated regulations (50 CFR 17.100-17.108) providing a means for establishing manatee protection areas. Also, the Florida Manatee Sanctuary Act of 1978 declares the entire State of Florida a "refuge and sanctuary for the manatees." A cooperative agreement between Interior and Florida on endangered species became effective on June 23, 1976. A similar cooperative agreement with the State of Georgia became effective on October 6, 1977.

For those tracts listed in paragraph 13 above providing for leases with an initial period of more than five years, bidders are advised that pursuant to 30 CFR 250.34-1(a)(3), the lessee shall submit to USGS either an exploration plan or a general statement of exploration intentions prior to the end of the tenth lease year.

Revisions of Department of Labor regulations on Affirmative Action requirements for Government Contractors (including lessees) have been assigned a deferred effective date of June 29, 1981, pending review of those regulations (see Federal Register of April 28, 1981, at 46 F.R. 23742). Should those changes become effective at any time before the issuance of leases resulting from this sale, Section 18 of the lease form, Form 3300-1 (September 1978), would be deleted from leases resulting from this sale. In addition, existing stocks of the Affirmative Action Forms described in section 5 of this notice contain language that would be superseded by the revised regulations at 41 CFR 60-1.5(a)(1) and 60-1.7(a)(1) regarding the aggregate value of contracts over a 12-month period (see the Federal Register of December 30, 1980, at 45 F.R. 86231-86232).

Pending the issuance of revised versions of Forms 1140-7 and 1140-8 by the Bureau of Land Management, submission of Form 1140-7 (December 1971) and Form 1140-8 (November 1973) will not invalidate an otherwise acceptable bid, and the revised regulations' requirements will be deemed to be part of the existing Affirmative Action Forms.

15. OCS Orders. Operations on all leases resulting from this sale will be conducted in accordance with the provisions of all Atlantic Area Orders, as of their effective date, and any other applicable OCS Order as it becomes effective.

Ed Hastey
Director, Bureau of Land Management
Associate

Date: 6/29/81

Approved:

Donald Paul Hodel

Donald Paul Hodel
Under Secretary of the Interior JUN 29 1981

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UNITED STATES
DEPARTMENT OF THE INTERIOR
Bureau of Land Management

Outer Continental Shelf Offshore the South Atlantic States

Notice of Leasing Systems, Sale No. 56

Sec. 8 (a)(8) (43 U.S.C. 1337 (a)(8)) of the Outer Continental Shelf (OCS) Lands Act, as amended, requires that, at least 30 days before any lease sale, a notice be submitted to the Congress and published in the Federal Register:

(A) identifying the bidding systems to be used and the reasons for such use; and

(B) designating the tracts to be offered under each bidding system and the reasons for such designation.

This notice is published pursuant to these requirements.

A. Bidding systems to be used. In OCS Sale No. 56, tracts will be offered under the following three bidding systems as authorized by Sec. 8(a)(1) (43 U.S.C. 1337 (a)(1)): (1) bonus bidding with a fixed net profit share on 96 tracts, (2) bonus bidding with a fixed 16-2/3 percent royalty on 104 tracts, and (3) bonus bidding with a fixed 12-1/2 percent royalty on 85 tracts.

(1) Bonus Bidding with a Fixed Net Profit Share. This system is authorized by Sec. 8(a)(1)(D) of the OCS Lands Act, as amended. This system was established by Department of Energy (DOE) regulations effective May 14, 1980 (45 Fed. Reg. 36784 (May 30, 1980)). OCS Sales A62, 55, and 62 included an offering of a total of 150 tracts under this system. The profit share system designed for this sale may increase competition by generating greater contingency payments to the Government and thereby reducing the initial cash bonus. It may also increase the volume of production, because certain allowable capital costs can be deducted prior to any liability for profit share payments. In addition, the profit share system may foster the development of marginal fields when compared to a royalty system since the Government shares more of the risk and the lessees' incremental costs are lower in the presence of a capital recovery.

A profit share system which uses cash bonus as the bid variable avoids percentage bids at high levels which would make future development either economically inefficient or simply uneconomic. In addition, it is easier to administer and unitize adjacent tracts with similar profit share rates. Furthermore, a fixed profit share better assures that firms who can produce at lower costs are more likely to obtain leases than would be the case if it were possible for less efficient firms to simply bid away higher percentages of lower profits.

For 45 shallow water tracts, firms will be permitted an additional recovery factor of 0.50 over their actual allowable costs before any profit share payments are due. 51 deep water tracts will have an additional recovery factor of 1.50. The profit share rate for the shallow water tracts is 45 percent and for the deep water tracts it is 30 percent. These parameters were selected on the basis of DOE and DOI studies regarding the effect on bonuses, profit-share payments, Government receipts, gross production, minimal economic tract sizes, and particularly on the incentive to alter the production profile.

(2) Bonus Bidding with a 16-2/3 Percent Royalty. This system is authorized by Sec. 8(a)(1)(A) of the OCS Lands Act, as amended. This system has been used extensively since the passage of the OCS Lands Act in 1953 and imposes greater risks on the lessee than systems with higher contingency payments, but may yield more rewards if a commercial field is discovered. The relatively high front-end payments required may encourage rapid exploration. The use of this system will provide a data base with which to compare the performance of the alternative systems.

(3) Bonus Bidding with a 12-1/2 Percent Royalty. This system is authorized by Sec. 8(a)(1)(A) of the OCS Lands Act, as amended. This system has been chosen for certain deep water tracts proposed for Sale 56 because these tracts are expected

to require substantially higher exploration, development, and production costs, as well as longer times before initial production, in comparison to shallow water tracts. DOI analyses indicate that the minimum economically developable discovery on a tract in such deep water areas under a fixed 12-1/2 percent royalty system would be less than for the same tracts under a fixed 16-2/3 percent royalty system. As a result, more tracts may be explored and developed. In addition, the lower royalty rate system is expected to yield more rapid production rates and higher economic profits. It is not anticipated, however, that the larger cash bonus bid associated with a lower royalty rate will significantly reduce competition, since the higher costs for exploration and development are the primary restraints to competition.

B. Designation of Tracts. The selection of tracts to be offered under the three systems was based on the following factors:

(1) Lease terms on adjacent tracts were considered in order to reduce administrative costs and barriers to unitization, and to enhance orderly development of each field.

(2) A sufficient number of tracts was needed to permit valid statistical analysis while limiting the risks of losses caused by unforeseen problems which could arise in the use of any new bidding system. The number of tracts must also be consistent with the requirements of Sec. 8(a)(5)(B) of the OCS Lands Act, as amended.

(3) The range and distribution of the characteristics of tracts were to be comparable for statistical purposes. Such characteristics include estimated resources, water depth, structure depth, favorable vs. unfavorable location of tracts on structures, and the location of tracts across trends.

The specific tracts to be offered under each system are as follows.

(a) Bonus Bidding with a Fixed Net Profit Share: Bids on tracts 56-131, 56-132, 56-133, 56-134, 56-135, 56-136, 56-137, 56-138, 56-139, 56-140, 56-141, 56-142, 56-143, 56-144, 56-145, 56-146, 56-147, 56-148, 56-149, 56-150, 56-151, 56-152, 56-153, 56-154, 56-155, 56-156, 56-157, 56-158, 56-159, 56-160, 56-161, 56-175, 56-176, 56-177, 56-178, 56-179, 56-180, 56-181, 56-182, 56-183, 56-184, 56-185, 56-186, 56-187, and 56-188 must be submitted on a cash bonus basis with a fixed net profit share rate of 45 percent and a capital recovery factor equal to 0.50. Bids on tracts 56-80, 56-81, 56-82, 56-83, 56-84, 56-85, 56-86, 56-87, 56-88, 56-89, 56-90, 56-91, 56-92, 56-93, 56-94, 56-95, 56-96, 56-97, 56-98, 56-99, 56-100, 56-101, 56-102, 56-103, 56-104, 56-105, 56-106, 56-107, 56-108, 56-109, 56-110, 56-111, 56-112, 56-113, 56-114, 56-115, 56-116, 56-117, 56-118, 56-119, 56-120, 56-121, 56-122, 56-123, 56-124, 56-125, 56-126, 56-127, 56-128, 56-129, and 56-130 must be submitted on a cash bonus basis with a fixed net profit share rate of 30 percent and a capital recovery factor equal to 1.50.

(c) Bonus Bidding with 16-2/3 Percent Royalty: Bids on tracts 56-40, 56-41, 56-42, 56-43, 56-44, 56-45, 56-189, 56-190, 56-191, 56-192, 56-193, 56-194, 56-195, 56-196, 56-197, 56-198, 56-199, 56-200, 56-201, 56-202, 56-203, 56-204, 56-205, 56-206, 56-207, 56-208, 56-209, 56-210, 56-211, 56-212, 56-213, 56-214, 56-215, 56-216, 56-217, 56-218, 56-219, 56-220, 56-221, 56-222, 56-223, 56-224, 56-225, 56-226, 56-227, 56-228, 56-229, 56-230, 56-231, 56-232, 56-233, 56-234, 56-235, 56-236, 56-237, 56-238, 56-239, 56-240, 56-241, 56-242, 56-243, 56-244, 56-245, 56-246, 56-247, 56-248, 56-249, 56-250, 56-251, 56-252, 56-253, 56-254, 56-255, 56-256, 56-257, 56-258, 56-259, 56-260, 56-261, 56-262, 56-263, 56-264, 56-265, 56-266,

56-267, 56-268, 56-269, 56-270, 56-271, 56-272, 56-273, 56-274, 56-275, 56-276, 56-277, 56-278, 56-279, 56-280, 56-281, 56-282, 56-283, 56-284, 56-285, and 56-286 must be submitted on a cash bonus basis with a fixed royalty of 16-2/3 percent.

(d) Bonus Bidding with a Fixed 12-1/2 Percent Royalty—All remaining tracts.

Ed Hastey
Director, Bureau of Land Management
Associate

Approved:

Donald Paul Hodel
Under Secretary of the Interior JUN 29 1981

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